

D.P.U. 96-1D

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 592-A, for approval by the Department of Public Utilities of a new annual fuel and purchased power adjustment charge and New Performance Adjustment Charge to be billed to the Company's customers pursuant to meter readings in the billing months of November and December 1996, and January 1997; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. 545-A. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

APPEARANCES: John M. Fulton, Esq.
Boston Edison Company
800 Boylston Street
Boston, Massachusetts 02199
FOR: BOSTON EDISON COMPANY
Applicant

L. Scott Harshbarger, Attorney General
By: Joseph Rogers
Assistant Attorney General
131 Tremont Street
Boston, Massachusetts 02108
Intervenor

I. INTRODUCTION

On October 4, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") applied to the Department of Public Utilities ("Department") for approval of a new annual fuel charge¹ in conformance with its tariff, M.D.P.U. 592-A, and for approval of a quarterly change of its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that the change be effective for bills issued pursuant to meter readings in the billing months of November and December 1996, and January 1997. During the hearing, the Company revised its application to request a new quarterly fuel charge rather than a annual fuel charge. The matter was docketed as D.P.U. 96-1D.

Pursuant to notice duly issued, a public hearing on the Company's application was held on October 25, 1996, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and The Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings.

In support of its filing, the Company sponsored one witness: Anne M. Lynch, senior

¹ On November 3, 1995, the Department approved an annual fuel charge proposed by the Company. Boston Edison Company, D.P.U. 95-1D at 17 (1995). Among other things, the annual fuel charge permits the Company to levelize the fuel charge, including the fuel cost component and the new performance adjustment charge, at \$0.03505 per month for the period November 1995 through October 1996. Id. The Company will apply interest to the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Id. at 16.

research analyst in the fuel and power contracts department. The evidentiary record includes nine Company exhibits and the Company's responses to four Department record requests. On October 29, 1996, the Attorney General filed a letter brief. On October 30, 1996, the Company filed a reply to the Attorney General's brief.

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 570,000 residential customers, 91,000 commercial customers, and 1,600 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last base rate increase occurred in November of 1994 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous base rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

II. FUEL CHARGE

On October 18, 1996 the Company, pursuant to G.L. c. 164, § 94G(b), filed with the Department its proposed changes to its fuel charge and QF power purchase rates for the billing months of November and December 1996, and January 1997. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement. The Company proposes a fuel charge of \$0.04190 for

the billing months of November and December 1996, and January 1997.

A. Fuel Cost Component

For the billing months of November and December 1996, and January 1997, the Company proposes a fuel cost component of \$0.03709 per KWH. The Company stated that it requests a quarterly fuel charge in order to set the appropriate rate for fuel and purchase power costs in a timely manner (Exh. BE-1, at 2). The Company explained that during the period of November 1995 through October 1996, when the annual fuel charge was in effect, energy markets, including oil and purchased power costs, experienced much volatility which resulted in a number of interim changes to the annual fuel charge.

The proposed quarterly fuel cost component is \$0.00405 per KWH more than the annual fuel charge of \$0.03304 per KWH approved by the Department in Boston Edison Company, D.P.U. 96-1C (1996). The increase in the fuel cost component results from the following. The Company projected that it would under-recover approximately \$22.3 million as of October 31, 1996, an additional \$7.1 million under-recovery than the Company had projected in D.P.U. 96-1C (Exh. BE-1, at 4, Tr. at 23). The Company stated that this additional under-recovery resulted from a net increase in the proposed fuel adjustment clause expenses attributed to higher than forecast unit fuel prices and changes in the generation mix (Exh. BE-1, at 11; Tr. at 25-26).

The Company proposes to recover the \$22.3 million under-recovery over the first two quarters of the next fuel clause year prorated on the forecast retail fuel KWH sales for this time period (Exh. BE-1, at 5). This results in a reconciliation amount of \$11.2 for this quarter, i.e., November 1996 through January 1997 (id.). The remaining under-recovery will be netted against

any under/over recovery for the period November 1996 through January 1997 and collected over the second quarter, i.e., February through April 1997. The Company presented examples of Department precedent of recovering or returning adjustments prorated based on the forecast of retail KWH sales rather than basing the flow on equal monthly amounts (DPU-RR-1, citing Boston Edison Company, D.P.U. 1009-K (1983); Boston Edison Company, D.P.U. 85-1D (1985)).

B. The MATEP Contract

The Company proposes to include in the fuel charge calculation a revenue credit associated with energy revenues received from Cogeneration Management Company, Inc. ("CMC") under an agreement between the Company and CMC, manager of the Medical Area Total Energy Plant (herein referred to as the "MATEP Contract").² Pursuant to the MATEP contract, the Company will sell power to MATEP when the combined BECo own load marginal cost plus \$5/MWH for transmission is less than the projected \$37/MWH it would cost MATEP to supply its own generation (Exh. BE-1, at 8).

1. Attorney General's Position

The Attorney General argues that MATEP is not paying the full fuel charge through this agreement, which results in ratepayers subsidizing the agreement (Attorney General Letter at 2). According to the Attorney General, this results in a violation of G.L. c. 164, § 94G(b), the fuel charge statute. The Attorney General asserts that the Department must require the Company to

² On August 2, 1996, the Department approved an agreement entered into by the Company and CMC, a qualifying facility which supplies electricity, chilled water and steam to a group of institutions affiliated with Harvard University. The facilities used to supply this power are commonly known as MATEP (Company Reply).

treat MATEP according to the precedent established in Boston Edison Company, D.P.U. 94-1A, with respect to the MBTA (id., at 3).

2. Company's Position

The Company claims that retail customers are neither harmed by the MATEP contract nor required to subsidize its operation (Company Letter, at 2). Furthermore, the Company claims that applying the Company's generally applicable retail rates to this MATEP contract, as advocated by the Attorney General, would serve to nullify the value of the MATEP contract to CMC and would undoubtedly result in its cancellation by CMC (id.). The Company also claims that the treatment of the MATEP contract is consistent with the fuel charge statute and Department precedent and policy (id.).

C. New Performance Adjustment Charge

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992, an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U. 784. The NPAC will remain in effect until October 31, 2000 (1989 Settlement at 11).

As defined in the 1989 Settlement, the NPAC is calculated as:

NPAC = $[(\text{POUT} \times \text{PRAT}) + \text{SALP} + \text{PIA}]/\text{KWH}$, where

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year³ during which the NPAC will be in effect;

³ The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the capacity factor adjustment ("CFA"), for the twelve-month period from November 1, 1996 to October 31, 1997 is \$66,336,995 (Exh. BE-4, at 3). The CFA is based on a forecasted 80.7 percent Pilgrim annual capacity factor ("CF") for the 1996-1997 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its most recent SALP evaluation on May 22, 1996. The average SALP score for Pilgrim in this report was 1.75 (Exh. BE-4, at 4; DPU-RR-3). The 1989 Settlement establishes a neutral zone of 1.6 to 1.8 (1989 Settlement at 9-11). The Settlement provides that for each one tenth of a point that the SALP score is greater than 1.8, \$500,000 will be deducted from the NPAC costs to be recovered over the remainder of the performance year, and for each tenth of a point that the SALP score is less than 1.6, \$500,000 will be added to the NPAC costs (1989 Settlement at 9-11). Since the Company's score is 1.75, within the neutral zone, the Company has not included any adjustment in the calculation of the NPAC (DPU-RR-4).

The PIA contains five individual measures reflecting performance at Pilgrim:

(a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations;

(d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry. For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on each of the five indicators will fall within the neutral zone (Exh. 4, at 4-6). Accordingly, the Company forecasts the PIAs for these indicators in the current period to be zero (id.).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH sales has changed or because the Company has under- or over-recovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to reconciliation at the conclusion of each twelve-month period.

In D.P.U. 95-1D, the Department approved an NPAC of \$0.00570 for the period November 1995 through October 1996. The Company proposed an NPAC for the billing months of November and December 1996 and January 1997, of \$0.00481 per KWH, a decrease of \$0.00089 per KWH from the NPAC currently in effect (DPU-RR-4, at 2). The Company attributed the decrease in the NPAC to forecast CF and the forecast SALP rating (Exh. BE-1, at 10). The Company projects an 80.6 percent CF for the performance year 1996-1997, where it had forecasted a 90.6 percent CF for the performance year 1995-1996 (id.).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are filed at the time of the fuel adjustment charge filing. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak.

In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighing is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

In Exhibit BE-5, the Company has proposed the following standard rates to be paid to

QFs during November and December 1996, and January 1997:

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
115 KV	0.03256	0.02354	0.02625
14 KV	0.03312	0.02389	0.02667
4 KV	0.03333	0.02402	0.02682
Secondary	0.03400	0.02445	0.02733

Short-Run Capacity Rates

<u>Voltage Level</u>	<u>Short-Run Capacity Rate</u>
115 KV	0.02931 dollars/KWH
14 KV	0.03013 dollars/KWH
4 KV	0.03058 dollars/KWH
Secondary	0.03155 dollars/KWH

IV. FINDINGS

G.L. c. 164, § 94G(b) provides, "[t]he fuel charge shall be billed to all customers of the company at uniform per kilowatt-hour rates," and "shall not otherwise differ among classes of customers or by the amount of a customer's usage." The Department's review of the record in this proceeding indicates that there is insufficient evidence on which to base a conclusion that the inclusion of the MATEP contract either comports with or contravenes G.L. c. 164, § 94.

Therefore, the Department will defer ruling on the treatment of the MATEP contract until the next quarterly fuel charge proceeding. The Department will allow the Company's proposed treatment of the MATEP energy revenues, subject to reconciliation, pending our continued investigation of this matter.

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of November and December 1996, and January 1997 shall be \$0.04190 per KWH, subject to refund. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and

2. that the QF power purchase rates for November and December 1996, and January 1997 shall be the rates set forth in Section III of this Order.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a fuel charge of \$0.04190 per kilowatthour as set forth in Section IV, Finding 1, of this Order for bills issued pursuant to meter readings in the billing months November and December 1996, and January 1997, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of November and December 1996, and January 1997 shall be those stated in Section III and found to be proper in Section IV of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge

proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the treatment of the MATEP contract and the Company's performance period that includes the period applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

John B. Howe, Chairman

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).